

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 1049 - HB 1259**

March 26, 2019

**SUMMARY OF BILL:** Requires the Division of TennCare (Division) to submit a waiver to the federal Department of Health and Human Services pursuant to Section 1115 of the Social Security Act to establish an experimental, pilot, or demonstration project that would expand Medicaid eligibility to residents of this state who suffer from an opioid addiction and who earn less than 138 percent of the federal poverty level. Clarifies that eligibility would last only for the duration of the person's involvement in a substance abuse treatment program approved by the Division.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$111,285,400/FY19-20  
\$64,319,400/FY20-21 and Subsequent Years**

**Increase Federal Expenditures - \$210,116,500/FY19-20  
\$121,440,600/FY20-21 and Subsequent Years**

**Assumptions:**

- Tennessee's adult population as of July 1, 2018 was estimated to be 5,253,528 by the United States Census Bureau.
- Based on information provided by the Division, in 2016 TennCare had 25,356 enrollees with an opioid use disorder (OUD) which represented 1.8 percent of the TennCare population. The cost of coverage for opioid use disorder is estimated to be \$774 per month per individual.
- In order for the treatment program to be effective it is assumed that each individual would receive services for at least 12 months.
- Assuming the same percentage of the adult population of Tennessee would have OUD, the number of individuals with OUD is estimated to be 94,564 (5,253,528 x 1.80%).
- Therefore, there are approximately 69,208 (94,564 – 25,356) individuals with OUD not currently receiving services through TennCare. It is further assumed that 50 percent of these individuals will be under the 138 percent poverty level, resulting in 34,604 (69,208 x 50.0%) adults eligible for opioid addiction services.
- Assuming 100 percent of individuals will participate in the pilot in year one, the total increase in expenditures is estimated to be \$321,401,952 (34,604 individuals x 12 months x \$774) in FY19-20.

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- Medicaid expenditures receive matching funds at a rate of 65.375 percent federal funds to 34.625 percent state funds. Of this amount, \$111,285,426 ( $\$321,401,952 \times 34.625\%$ ) will be in state funds and \$210,116,526 ( $\$321,401,952 \times 65.375\%$ ) will be in federal funds in FY19-20.
- Assuming 20,000 individuals will participate in the pilot in the second and subsequent years, the increase in expenditures is estimated to be \$185,760,000 ( $20,000 \times 12 \text{ months} \times \$774$ ) in FY20-21 and subsequent years.
- Medicaid expenditures receive matching funds at a rate of 65.375 percent federal funds to 34.625 percent state funds. Of this amount \$64,319,400 ( $\$185,760,000 \times 34.625\%$ ) will be in state funds and \$121,440,600 ( $\$185,760,000 \times 65.375\%$ ) will be in federal funds.

## **IMPACT TO COMMERCE:**

**Increase Business Revenue - \$321,401,900/FY19-20  
\$185,760,000/FY20-21 and Subsequent Years**

**Increase Business Expenditures – Less than \$321,401,900/FY19-20  
Less than \$185,760,000/FY20-21 and Subsequent  
Years**

### **Assumptions:**

- Healthcare providers that provide opioid addiction treatment will experience an increase in business revenue for providing services.
- The increase in business revenue is estimated to be \$321,401,952 in FY19-20 and \$185,760,000 in FY20-21 and subsequent years.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to be less than \$321,401,952 in FY19-20 and less than \$185,760,000 in FY20-21 and subsequent years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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